

WOODBINE COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2007

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Woodbine Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2006 election)</b>		
Joseph Ball	President	2006
Ryan Sullivan	Vice President	2008
Alan Ronk	Board Member	2006
Pam Kerger	Board Member	2007
Lynnette Lee	Board Member	2008
<b>Board of Education</b>		
<b>(After September 2006 election)</b>		
Ryan Sullivan	President	2008
Lynnette Lee	Vice President	2008
Pam Kerger	Board Member	2007
Joanna Shaw	Board Member	2009
Mike Staben	Board Member	2009
<b>School Officials</b>		
Dr. Terry Hazard	Superintendent	2007
Connie Waite	Board Secretary/Treasurer	2007
Derrick Franck	Attorney	2007

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Woodbine Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Woodbine Community School District, Woodbine, Iowa as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Woodbine Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 5, 2008 on our consideration of the Woodbine Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of those reports are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 35 through 36 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Villisca Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 5, 2008

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Woodbine Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2007 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$4,146,704 in fiscal 2006 to \$4,437,818 in fiscal 2007, while General Fund expenditures increased from \$4,151,240 in fiscal 2006 to \$4,397,115 in fiscal 2007. This resulted in a increase in the District's General Fund balance from a deficit \$31,012 in fiscal 2006 to a positive balance of \$9,691 in fiscal 2007, a 131.25% increase from the prior year.
- The increase in General Fund revenues was attributable to increases in local source revenues and state grant revenues in fiscal 2007, while the increase in expenditures was primarily due to the increase in negotiated salaries and benefits.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Woodbine Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Woodbine Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Woodbine Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**

**Woodbine Community School District Annual Financial Report**

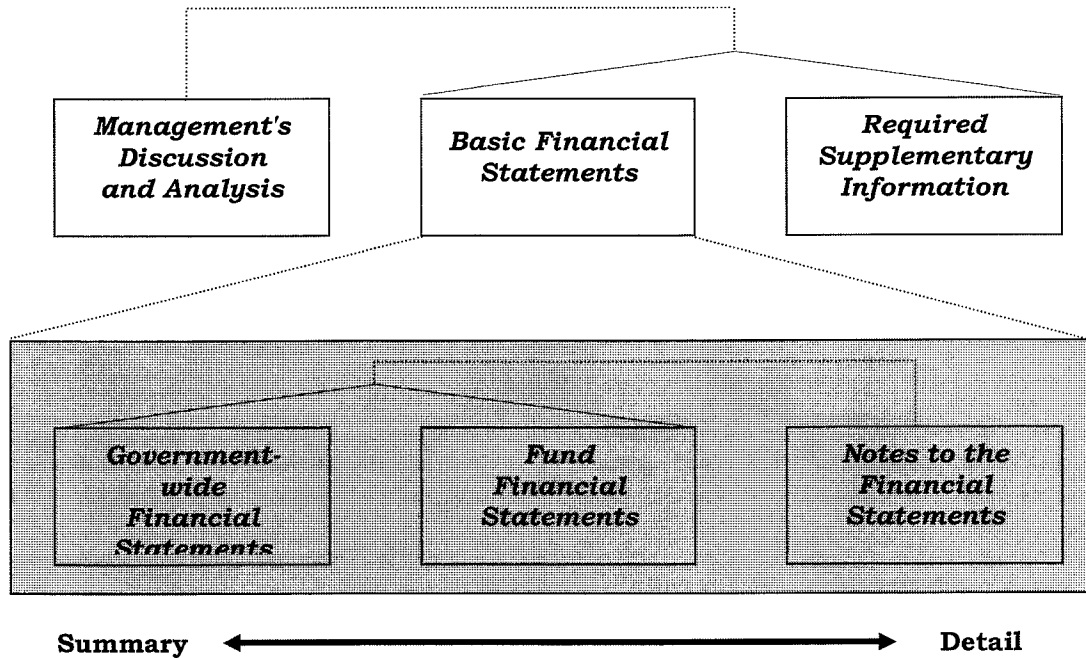


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-wide and Fund Financial Statements</b>			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid



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## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and the Day Care Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 4,751,679	4,167,210	54,321	45,399	4,806,000	4,212,609	14.09%
Capital assets	7,017,055	6,885,891	68,936	14,859	7,085,991	6,900,750	2.68%
Total assets	11,768,734	11,053,101	123,257	60,258	11,891,991	11,113,359	7.01%
Long-term obligations	4,920,464	5,135,023	0	0	4,920,464	5,135,023	-4.18%
Other liabilities	3,718,746	3,262,040	2,205	1,431	3,720,951	3,263,471	14.02%
Total liabilities	8,639,210	8,397,063	2,205	1,431	8,641,415	8,398,494	2.89%
Net assets:							
Invested in capital assets, net of related debt	2,137,055	2,453,817	68,936	14,859	2,205,991	2,468,676	-10.64%
Restricted	775,550	68,349	0	0	775,550	68,349	1034.69%
Unrestricted	216,919	133,872	52,116	43,968	269,035	177,840	51.28%
Total net assets	\$ 3,129,524	2,656,038	121,052	58,827	3,250,576	2,714,865	19.73%

The District's combined net assets increased by 19.73%, or \$535,711 over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately 1,034.69% or \$707,201 compared to the prior year. This dramatic increase is due to a change in the way restricted assets are calculated as compared to the previous year. In previous years, the balance of the Capital Projects Fund as well as the balance of the Debt Service Fund was added back to the invested in capital assets net of related debt. Beginning this year, the fund balances for these two funds is considered a restricted balance unless the District has construction in progress, then the balance of the bond proceeds construction account would be added back to the invested in capital assets net of related debt.

Unrestricted net assets – the part of net assets that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately 51.28% or \$91,195.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to the year ended June 30, 2006.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 307,967	259,317	159,694	118,570	467,661	377,887	23.76%
Operating grants and contributions and restricted interest	663,777	569,794	80,756	81,740	744,533	651,534	14.27%
Capital grants and contributions and restricted interest	45,395	80,585	0	0	45,395	80,585	-43.67%
General revenues:							
Property tax	1,987,035	1,837,250	0	0	1,987,035	1,837,250	8.15%
Local option sales and service tax	271,026	227,999	0	0	271,026	227,999	0.00%
Unrestricted state grants	1,846,106	1,893,571	0	0	1,846,106	1,893,571	-2.51%
Other	243,683	244,761	57,307	31	300,990	244,792	22.96%
Total revenues	5,364,989	5,113,277	297,757	200,341	5,662,746	5,313,618	6.57%
Program expenses:							
Governmental activities:							
Instructional	3,166,781	2,909,154	0	0	3,166,781	2,909,154	8.86%
Support services	1,207,244	1,251,096	0	0	1,207,244	1,251,096	-3.51%
Non-instructional programs	0	0	235,532	203,690	235,532	203,690	15.63%
Other expenses	517,478	471,269	0	0	517,478	471,269	9.81%
Total expenses	4,891,503	4,631,519	235,532	203,690	5,127,035	4,835,209	6.04%
Change in net assets	473,486	481,758	62,225	(3,349)	535,711	478,409	11.98%
Net assets beginning of year	2,656,038	2,174,280	58,827	62,176	2,714,865	2,236,456	21.39%
Net assets end of year	\$ 3,129,524	2,656,038	121,052	58,827	3,250,576	2,714,865	19.73%

In fiscal 2007, property tax and unrestricted state grants account for 71.45% of the revenue from governmental activities while charges for services and operating grants and contributions account for 80.75% of the revenue from business type activities.

The District's total revenues were approximately \$5.66 million of which \$5.36 million was for governmental activities and approximately \$.30 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 6.57% in revenues and a 6.04% increase in expenses. The increase in expenses was related to increases in negotiated salary and benefits.

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## Governmental Activities

Revenues for governmental activities were \$5,364,989 and expenses were \$4,891,503.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
Instruction	\$ 3,166,781	2,909,154	8.86%	2,350,155	2,253,329	4.30%
Support services	1,207,244	1,251,096	-3.51%	1,207,244	1,229,337	-1.80%
Other expenses	517,478	471,269	9.81%	316,965	239,157	32.53%
Totals	\$ 4,891,503	4,631,519	5.61%	3,874,364	3,721,823	4.10%

- The cost financed by users of the District's programs was \$307,967.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$709,172.
- The net cost of governmental activities was financed with \$1,987,035 in property tax, \$271,026 in local option sales and services tax, \$1,846,106 in unrestricted state grants, \$93,890 in interest income and \$207,095 in other general revenues.

## Business-Type Activities

Revenues of the District's business-type activities were \$297,757 and expenses were \$235,532. The District's business-type activities include the School Nutrition Fund and Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Woodbine Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$825,705, above last year's ending fund balances of a \$767,585. However, the primary reason for the increase in combined fund balances in fiscal 2007 is due to increased fund balances in the General, PPEL, and Debt Service Funds.

## Governmental Fund Highlights

- The District's improved its General Fund financial position from a deficit \$31,012 in fiscal 2006 to a positive fund balance of \$9,691 at the end of fiscal 2007. The improved fund balance of the General Fund is mainly the product of one factor:
  - The increase in General Fund expenditures was more than enough to offset the increase in General Fund expenditures, thus ensuring the fund's positive gain.

- 
- The Physical Plant and Equipment Levy Fund balance increased from \$4,135 to \$18,176 during the year. Although fund expenditures increased as compared to fiscal 2006, the revenues for the fund were more than enough to offset the increased expenditures ensuring the improved health of the PPEL Fund.
  - The Capital Projects Fund balance decreased from \$461,239 to \$325,028 during the year. This decrease was due to capital construction expenditures.

### **Proprietary Fund Highlights**

The School Nutrition Fund net assets increased from \$38,485 at June 30, 2006 to \$96,904 at June 30, 2007, representing an increase of 151.80%. The increase in fund balance is mainly attributable to the capital contribution the fund received from the Capital Projects Fund.

The Day Care Fund net assets decreased from \$20,342 at June 30, 2006 to \$24,148 at June 30, 2007, representing an increase of 18.71%.

### **BUDGETARY HIGHLIGHTS**

The District's revenues were \$166,210 less than budgeted revenues, a variance of 2.89%. The most significant variance resulted from the District receiving less in federal sources than originally anticipated.

Initially, total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, expenditures in the non-instructional programs function exceeded the amount budgeted at June 30, 2007.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2007, the District had invested \$7.09 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$228,762.

The original cost of the District's capital assets was \$9,012,986. Governmental funds account for \$8,901,268 with the remaining of \$111,718 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$1,720,523 reported at June 30, 2006 as compared to \$0 for June 30, 2007. The decrease is a result of the completion of construction projects the District had during the previous year.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 28,655	28,655	0	0	28,655	28,655	0.00%
Construction in progress	0	1,720,523	0	0	0	1,720,523	-100.00%
Buildings	6,860,127	4,980,622	0	0	6,860,127	4,980,622	27.40%
Improvements other than buildings	2,499	2,638	0	0	2,499	2,638	-5.56%
Machinery and equipment	125,774	153,453	68,936	14,859	194,710	168,312	13.56%
Total	\$ 7,017,055	6,885,891	68,936	14,859	7,085,991	6,900,750	2.61%

### Long-Term Debt

At June 30, 2007, the District had \$4,920,464 in general obligation and other long-term debt outstanding. This represents an decrease of 4.2% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$2,955,000 at June 30, 2007.

The District had total outstanding QZAB Bonds payable of \$1,000,000 and June 30, 2007, which are due November 3, 2013.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Fund of \$40,464 at June 30, 2007.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2007	2006	2006-07
General obligation bonds	\$ 2,955,000	3,100,000	-4.7%
Revenue bonds	925,000	975,000	100.0%
QZAB bonds	1,000,000	1,000,000	0.0%
Early retirement	40,464	55,447	-27.0%
Contract Settlement	0	4,576	-100.0%
Totals	\$ 4,920,464	5,135,023	-4.2%

### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.

- 
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
  - Construction projects were completed but the debt remains.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Connie Waite, District Secretary, Woodbine Community School District, 501 Weare Street, Woodbine, Iowa, 51579.

## BASIC FINANCIAL STATEMENTS



WOODBINE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments:			
ISCAP(Note 4)	\$ 1,398,128	0	1,398,128
Other	918,686	44,768	963,454
Receivables:			
Property tax:			
Delinquent	25,391	0	25,391
Succeeding year	1,749,276	0	1,749,276
Income surtax	235,598	0	235,598
Accounts	0	1,046	1,046
Accrued interest - ISCAP(Note 4)	57,163	0	57,163
Due from other governments	367,437	0	367,437
Inventories	0	8,507	8,507
Capital assets, net of accumulated depreciation(Note 5)	7,017,055	68,936	7,085,991
<b>Total Assets</b>	<b>11,768,734</b>	<b>123,257</b>	<b>11,891,991</b>
<b>Liabilities</b>			
Accounts payable	56,731	93	56,824
Salaries and benefits payable	421,580	0	421,580
ISCAP warrants payable(Note 4)	1,401,000	0	1,401,000
ISCAP interest payable(Note 4)	50,876	0	50,876
ISCAP unamortized premiums	7,547	0	7,547
Accrued interest payable	31,736	0	31,736
Deferred revenue:			
Succeeding year property tax	1,749,276	0	1,749,276
Unearned revenue	0	2,112	2,112
Long-term liabilities(Note 6):			
Portion due within one year:			
General obligation bonds payable	150,000	0	150,000
Revenue bonds payable	110,000	0	110,000
Early retirement	11,108	0	11,108
Portion due after one year:			
General obligation bonds payable	2,805,000	0	2,805,000
Revenue bonds payable	815,000	0	815,000
QZAB bonds payable	1,000,000	0	1,000,000
Early retirement	29,356	0	29,356
<b>Total Liabilities</b>	<b>8,639,210</b>	<b>2,205</b>	<b>8,641,415</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	2,137,055	68,936	2,205,991
Restricted for:			
Management levy	34,902	0	34,902
Physical plant and equipment levy	18,176	0	18,176
Capital projects	325,028	0	325,028
Debt service	372,140	0	372,140
Other special revenue purposes	25,304	0	25,304
Unrestricted	216,919	52,116	269,035
<b>Total Net Assets</b>	<b>\$ 3,129,524</b>	<b>121,052</b>	<b>3,250,576</b>

SEE NOTES TO FINANCIAL STATEMENTS.

WOODBINE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Contributions and Restricted Interest	Contributions and Restricted Interest	Govern-mental Activities	Business-Type Activities	Total
Governmental activities:							
Instruction:							
Regular instruction	\$ 2,075,713	128,443	472,344	0	(1,474,926)	0	(1,474,926)
Special instruction	561,500	112,030	25,417	0	(424,053)	0	(424,053)
Other instruction	529,568	67,494	10,898	0	(451,176)	0	(451,176)
	3,166,781	307,967	508,659	0	(2,350,155)	0	(2,350,155)
Support services:							
Student services	80,130	0	0	0	(80,130)	0	(80,130)
Instructional staff services	8,065	0	0	0	(8,065)	0	(8,065)
Administration services	548,768	0	0	0	(548,768)	0	(548,768)
Operation and maintenance of plant services	373,335	0	0	0	(373,335)	0	(373,335)
Transportation services	196,946	0	0	0	(196,946)	0	(196,946)
	1,207,244	0	0	0	(1,207,244)	0	(1,207,244)
Other expenditures:							
Facilities acquisitions	0	0	0	45,395	45,395	0	45,395
Long-term debt interest	200,925	0	0	0	(200,925)	0	(200,925)
AEA flowthrough	155,118	0	155,118	0	0	0	0
Depreciation(unallocated) *	161,435	0	0	0	(161,435)	0	(161,435)
	517,478	0	155,118	45,395	(316,965)	0	(316,965)
Total governmental activities	4,891,503	307,967	663,777	45,395	(3,874,364)	0	(3,874,364)
Business-Type activities:							
Non-instructional programs:							
Nutrition services	168,239	88,595	80,756	0	0	1,112	1,112
Day care services	67,293	71,099	0	0	0	3,806	3,806
Total business-type activities	235,532	159,694	80,756	0	0	4,918	4,918
Total	\$ 5,127,035	467,661	744,533	45,395	(3,874,364)	4,918	(3,869,446)
General Revenues & Transfers:							
Property tax levied for:							
General purposes					\$ 1,564,124	0	1,564,124
Capital outlay					109,295	0	109,295
Debt service					313,616	0	313,616
Local option sales and services tax					271,026	0	271,026
Unrestricted state grants					1,846,106	0	1,846,106
Unrestricted investment earnings					93,890	5	93,895
Other general revenues					207,095	0	207,095
Transfers					(57,302)	57,302	0
Total general revenues and transfers					4,347,850	57,307	4,405,157
Change in net assets					473,486	62,225	535,711
Net assets beginning of year					2,656,038	58,827	2,714,865
Net assets end of year					\$ 3,129,524	121,052	3,250,576

SEE NOTES TO FINANCIAL STATEMENTS.

WOODBINE COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
<b>Assets</b>					
Cash and pooled investments:					
ISCAP(Note 4)	\$ 1,398,128	0	0	0	1,398,128
Other	241,443	189,710	367,685	116,482	915,320
Receivables:					
Property tax:					
Delinquent	18,572	0	4,455	2,364	25,391
Succeeding year	1,273,083	0	310,480	165,713	1,749,276
Income surtax	183,243	0	0	52,355	235,598
Accrued ISCAP interest (Note 4)	57,163	0	0	0	57,163
Due from other governments	232,119	135,318	0	0	367,437
<b>Total Assets</b>	<b>\$ 3,403,751</b>	<b>325,028</b>	<b>682,620</b>	<b>336,914</b>	<b>4,748,313</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 56,731	0	0	0	56,731
Salaries and benefits payable	421,580	0	0	0	421,580
ISCAP warrants payable (Note 4)	1,401,000	0	0	0	1,401,000
ISCAP interest payable (Note 4)	50,876	0	0	0	50,876
ISCAP unamortized premiums	7,547	0	0	0	7,547
Deferred revenue:					
Succeeding year property tax	1,273,083	0	310,480	165,713	1,749,276
Income surtax	183,243	0	0	52,355	235,598
Total liabilities	3,394,060	0	310,480	218,068	3,922,608
Fund balances:					
Reserved for:					
Debt service	0	0	372,140	0	372,140
Unreserved	9,691	325,028	0	118,846	453,565
Total fund balances	9,691	325,028	372,140	118,846	825,705
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,403,751</b>	<b>325,028</b>	<b>682,620</b>	<b>336,914</b>	<b>4,748,313</b>

SEE NOTES TO FINANCIAL STATEMENTS.

WOODBINE COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2007

Total fund balances of governmental funds (page 16)	\$ 825,705
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	7,017,055
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	235,598
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	3,366
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(31,736)
Long-term liabilities, including bonds payable and early retirement are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(4,920,464)</u>
Net assets of governmental activities (page 14)	<u>\$ 3,129,524</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WOODBINE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 1,443,803	271,026	313,616	159,680	2,188,125
Tuition	222,668	0	0	0	222,668
Other	274,684	615	7,090	116,826	399,215
State sources	2,308,290	0	189	100	2,308,579
Federal sources	188,373	0	0	45,395	233,768
Total revenues	4,437,818	271,641	320,895	322,001	5,352,355
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular instruction	2,069,692	0	0	37,470	2,107,162
Special instruction	561,241	0	0	0	561,241
Other instruction	417,811	0	0	109,757	527,568
	3,048,744	0	0	147,227	3,195,971
Support services:					
Student services	80,130	0	0	0	80,130
Instructional staff services	14,107	0	0	0	14,107
Administration services	548,768	0	0	0	548,768
Operation and maintenance of plant services	393,560	0	0	33,106	426,666
Transportation services	156,688	0	0	10,285	166,973
	1,193,253	0	0	43,391	1,236,644
Other expenditures:					
Facilities acquisitions	0	283,760	0	30,476	314,236
Long-term debt:					
Principal	0	0	195,000	0	195,000
Interest	0	0	197,266	0	197,266
AEA flowthrough	155,118	0	0	0	155,118
	155,118	283,760	392,266	30,476	861,620
Total expenditures	4,397,115	283,760	392,266	221,094	5,294,235
Excess(deficiency) of revenues over(under) expenditures	40,703	(12,119)	(71,371)	100,907	58,120
Other financing sources(uses):					
Transfer in	0	0	237,882	0	237,882
Transfer out	0	(124,092)	0	(113,790)	(237,882)
Total other financing sources(uses)	0	(124,092)	237,882	(113,790)	0
Net change in fund balances	40,703	(136,211)	166,511	(12,883)	58,120
Fund balance beginning of year	(31,012)	461,239	205,629	131,729	767,585
Fund balance end of year	\$ 9,691	325,028	372,140	118,846	825,705

SEE NOTES TO FINANCIAL STATEMENTS.

WOODBINE COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2007

Net change in fund balances - total governmental funds (page 18) \$ 58,120

*Amounts reported for governmental activities in the  
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 351,241	
Depreciation expense	<u>(220,077)</u>	131,164

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (3,659)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows:

Repaid	195,000
--------	---------

Net change in Internal Service Funds charged back against expenditures made for the flex benefit program at an entity-wide basis. 3,366

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. 69,936

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Contract Settlement	\$ 4,576	
Early Retirement	<u>14,983</u>	<u>19,559</u>

Changes in net assets of governmental activities (page 15) \$ 473,486

SEE NOTES TO FINANCIAL STATEMENTS.

WOODBINE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2007

	Business-Type Activities- Enterprise Funds			Governmental Activities- Internal Service Fund
	School Nutrition	Day Care	Total	
<b>Assets</b>				
Cash and pooled investments	\$ 21,573	23,195	44,768	3,366
Accounts receivable	0	1,046	1,046	0
Inventories	8,507	0	8,507	0
Capital assets, net of accumulated depreciation (Note 6)	68,936	0	68,936	0
<b>Total Assets</b>	<b>99,016</b>	<b>24,241</b>	<b>123,257</b>	<b>3,366</b>
<b>Liabilities</b>				
Accounts payable	0	93	93	0
Unearned revenue	2,112	0	2,112	0
<b>Total Liabilities</b>	<b>2,112</b>	<b>93</b>	<b>2,205</b>	<b>0</b>
<b>Net Assets</b>				
Invested in capital assets	68,936	0	68,936	0
Unrestricted	27,968	24,148	52,116	3,366
<b>Total Net Assets</b>	<b>\$ 96,904</b>	<b>24,148</b>	<b>121,052</b>	<b>3,366</b>

SEE NOTES TO FINANCIAL STATEMENTS.

WOODBINE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2007

	Business-Type Activities- Enterprise Funds			Governmental Activities- Internal Service Fund
	School Nutrition	Day Care	Total	
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 88,795	71,099	159,894	3,366
OPERATING EXPENSES:				
Non-instructional programs:				
Salaries	51,928	54,280	106,208	0
Benefits	17,382	8,743	26,125	0
Services	1,364	0	1,364	0
Supplies	87,715	4,270	91,985	0
Depreciation	8,685	0	8,685	0
Other	1,165	0	1,165	0
TOTAL OPERATING EXPENSES	168,239	67,293	235,532	0
OPERATING INCOME (LOSS)	(79,444)	3,806	(75,638)	3,366
NON-OPERATING REVENUES:				
Interest income	5	0	5	0
State sources	2,248	0	2,248	0
Federal sources	78,308	0	78,308	0
TOTAL NON-OPERATING REVENUES	80,561	0	80,561	0
Excess of revenues over expenditures	1,117	3,806	4,923	3,366
Other financing sources				
Contributed capital	57,302	0	57,302	0
Changes in net assets	58,419	3,806	62,225	3,366
Net assets beginning of year	38,485	20,342	58,827	0
Net assets end of year	\$ 96,904	24,148	121,052	3,366

SEE NOTES TO FINANCIAL STATEMENTS.



WOODBINE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2007

	Business-Type Activities- Enterprise Funds			Governmental Activities- Internal Service Fund
	School Nutrition	Day Care	Total	
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 89,104	0	89,104	0
Cash received from miscellaneous sources	172	71,099	71,271	3,366
Cash payments to employees for services	(69,310)	(63,023)	(132,333)	0
Cash payments to suppliers for goods or services	(85,885)	(5,115)	(91,000)	0
Net cash provided by(used in) operating activities	(65,919)	2,961	(62,958)	3,366
Cash flows from non-capital financing activities:				
State grants received	2,448	0	2,448	0
Federal grants received	68,276	0	68,276	0
Net cash provided by non-capital financing activities	70,724	0	70,724	0
Cash flows from capital financing activities:				
Acquisition of assets	(5,460)	0	(5,460)	0
Cash flow from investing activities:				
Interest on investments	5	0	5	0
Net increase(decrease) in cash and cash equivalents	(650)	2,961	2,311	3,366
Cash and cash equivalents at beginning of year	22,223	20,234	42,457	0
Cash and cash equivalents at end of year	\$ 21,573	23,195	44,768	3,366
Reconciliation of operating income(loss) to net cash used in operating activities:				
Operating income(loss)	\$ (79,644)	3,806	(75,838)	3,366
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities consumed	10,032	0	10,032	0
Depreciation	8,685	0	8,685	0
Increase in accounts receivable	(5,673)	(938)	(6,611)	0
Increase in unearned revenue	681	0	681	0
Increase in accounts payable	0	93	93	0
Net cash provided by(used in) operating activities	\$ (65,919)	2,961	(62,958)	3,366
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:				
Current assets:				
Cash and pooled investments	\$ 21,573	23,195	44,768	3,366

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$10,032.

During the year ended June 30, 2007, the Nutrition Fund received capital contributions from Capital Projects of \$57,302.

SEE NOTES TO FINANCIAL STATEMENTS.

WOODBINE COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

**(1) Summary of Significant Accounting Policies**

The Woodbine Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Woodbine, Iowa, and the predominate agricultural territory in Harrison, Monona and Shelby Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Woodbine Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Woodbine Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Harrison, Monona and Shelby Counties Assessors' Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund, Enterprise, Day Care Fund and the Internal Service Fund. The School Nutrition Fund is used to account

for the food service operations of the District. The Day Care Fund is used to account for the child care operations of the District. The Internal Service Fund is used to account for the self-funded insurance plan of the District. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Assets and the Statement of Activities.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Balances

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 0
Buildings	1,200
Land improvements	1,200
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,200

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for extra duties and curriculum work for the current school year, which is paid in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used

to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The unearned revenues in the Day Care Fund are monies collected in advance for tuition. The revenue will be considered earned when services are provided. The tuition and lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures in the non-instructional function exceeded the budgeted amount.

#### **(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year-end. The certificates of deposit are classified as Category 1, which means

the investments are insured or registered or the securities are held by the District or its agent in the District's name.

At June 30, 2007, the District had investments in Certificates of Deposit, stated at fair value, maturing over a year as follows:

	<u>Fair Value</u>
Certificate of Deposit	<u>\$ 15,000</u>

**(3) Transfers**

The detail of transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
	Special Revenue:	
	Physical Plant and	
Debt Service	Equipment Levy	113,790
Debt Service	Capital Projects	124,092
Total		<u>\$ 237,882</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(4) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2007 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2006-07A	6/28/06	6/28/07	\$ 0	41,693	0	37,669
2006-07B	1/26/07	1/25/08	677,269	15,286	679,000	12,991
2007-08A	6/27/07	6/27/08	720,859	184	722,000	216
Total			<u>\$ 1,398,128</u>	<u>57,163</u>	<u>1,401,000</u>	<u>50,876</u>



The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2007 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2006-07A	\$ 0	250,000	250,000	0

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2006-07A	4.500%	5.676%
2006-07B	4.250%	5.315%
2007-08A	4.500%	5.455%

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 48,956	62,762	0	111,718
Less accumulated depreciation	34,097	8,685	0	42,782
Business-type activities capital assets, net	\$ 14,859	54,077	0	68,936

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 28,655	0	0	28,655
Construction in progrss	1,720,523	320,278	2,040,801	0
Total capital assets not being depreciated	1,749,178	320,278	2,040,801	28,655
Capital assets being depreciated:				
Buildings	6,099,013	2,040,801	0	8,139,814
Land improvements	87,866	0	0	87,866
Machinery and equipment	647,970	30,963	34,000	644,933
Total capital assets being depreciated	6,834,849	2,071,764	34,000	8,872,613
Less accumulated depreciation for:				
Buildings	1,118,391	161,296	0	1,279,687
Land improvements	85,228	139	0	85,367
Machinery and equipment	494,517	58,642	34,000	519,159
Total accumulated depreciation	1,698,136	220,077	34,000	1,884,213
Total capital assets being depreciated, net	5,136,713	1,851,687	0	6,988,400
Governmental activities capital assets, net	\$ 6,885,891	2,171,965	2,040,801	7,017,055

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 19,840
Special	259
Other	2,000

Support services:

Operation and maintenance of plant	6,570
Transportation	29,973

Unallocated depreciation

58,642
161,435

Total governmental activities depreciation expense

\$ 220,077

Business-type activities:

Food services	\$ 8,685
---------------	----------

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 3,100,000	0	145,000	2,955,000	150,000
Revenue Bonds	975,000	0	50,000	925,000	110,000
Contract Settlement	4,576	0	4,576	0	0
Early Retirement	55,447	734	15,717	40,464	11,108
QZAB Bonds	1,000,000	0	0	1,000,000	0
Total	\$ 5,135,023	734	215,293	4,920,464	271,108

General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Issue of January 1, 2002			Issue of December 1, 1990			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2008	5.00 %	\$ 100,000	141,880	4.50 %	\$ 50,000	7,600	\$ 150,000	149,480	299,480
2009	5.00	100,000	136,880	4.60	55,000	5,350	155,000	142,230	297,230
2010	5.00	105,000	131,880	4.70	60,000	2,820	165,000	134,700	299,700
2011	5.00	180,000	126,630	-	-	-	180,000	126,630	306,630
2012-2016	5.00-5.25	1,015,000	489,744	-	-	-	1,015,000	489,744	1,504,744
2017-2021	4.88-5.25	1,290,000	206,207	-	-	-	1,290,000	206,207	1,496,207
Total		\$ 2,790,000	1,233,221		\$ 165,000	15,770	\$ 2,955,000	1,248,991	4,203,991

Revenue Bonds Payable

The District entered into two different revenue bond issuances of \$465,000 and \$510,000 dated August 1, 2005 and June 30, 2006, respectively. Details of the District's June 30, 2007 revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue of August 1, 2005			Issue of June 30, 2006			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2008	3.40 %	\$ 55,000	14,475	5.75 %	\$ 55,000	27,744	\$ 110,000	42,219	152,219
2009	3.50	55,000	12,578	5.75	65,000	24,294	120,000	36,872	156,872
2010	3.60	55,000	10,625	5.75	70,000	20,412	125,000	31,037	156,037
2011	3.70	60,000	8,525	5.75	75,000	16,244	135,000	24,769	159,769
2012-2014	3.80	190,000	11,442	5.75	245,000	21,993	435,000	33,435	468,435
Total		\$ 415,000	57,645		\$ 510,000	110,687	\$ 925,000	168,332	1,093,332

The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District in accordance with Chapter 423E of the Code of Iowa. The bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitations of the District.

The resolution providing for the \$510,000 issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) The bonds will only be redeemed from the future earnings of the local option sales and services tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- b) Sufficient monthly deposits amounting to one sixth of the next interest payment and one twelfth of the next principal payment shall be made to the Local Option Sales and Service Tax Sinking Fund for the purpose of making the bond principal and interest payments when due.
- c) A separate bond reserve fund will be maintained to be used solely for the purpose of paying principal and interest in the event the revenue fund does not have sufficient funds for that purpose. This fund is called the Local Option Sales and Services Tax Reserve Fund.

#### Quality Zone Academy Bonds (QZAB)

During the year ended June 30, 2006, the District issued zero interest Quality Zone Academy Bonds (QZAB). Annual transfers from the Capital Projects - Local Option Sales and Service Tax fund to a debt sinking fund will be made to pay the indebtedness due November 3, 2013, of \$1,000,000.

#### Early Retirement

The District offers a voluntary early retirement plan to its certified and non-certified employees. Eligible employees must be at least age fifty-five and employees must have completed twenty years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. Early retirement benefits paid during the year ended June 30, 2007, totaled \$15,717. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

### **(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The

District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$151,611, \$144,356 and \$138,576 respectively, equal to the required contributions for each year.

**(8) Risk Management**

Woodbine Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$155,118 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2007, expenditures in the non-instructional programs function exceeded the amount budgeted.

REQUIRED SUPPLEMENTAL INFORMATION

WOODBINE COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2007

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 2,810,008	159,699	2,969,707	2,893,847	2,893,847	75,860
State sources	2,308,579	2,248	2,310,827	2,444,173	2,444,173	(133,346)
Federal sources	233,768	78,508	312,276	421,000	421,000	(108,724)
Total revenues	5,352,355	240,455	5,592,810	5,759,020	5,759,020	(166,210)
Expenditures:						
Instruction	3,195,971	0	3,195,971	3,602,512	3,602,512	406,541
Support services	1,236,644	0	1,236,644	1,550,000	1,550,000	313,356
Non-instructional programs	0	235,532	235,532	211,164	211,164	(24,368)
Other expenditures	861,620	0	861,620	1,017,747	1,017,747	156,127
Total expenditures	5,294,235	235,532	5,529,767	6,381,423	6,381,423	851,656
Excess(deficiency) of revenues over(under) expenditures	58,120	4,923	63,043	(622,403)	(622,403)	685,446
Other financing sources, net	0	57,302	57,302	(137,579)	(137,579)	194,881
Excess(deficiency) of revenues and other financing sources over(under) expenditures	58,120	62,225	120,345	(759,982)	(759,982)	880,327
Balance beginning of year	767,585	58,827	826,412	759,982	759,982	66,430
Balance end of year	\$ 825,705	121,052	946,757	0	0	946,757

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODBINE COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the general Fund may not exceed the amount authorized by the school finance formula.

For the year ended June 30, 2007, expenditures in the non-instructional programs function exceeded the amount budgeted.



OTHER SUPPLEMENTAL INFORMATION

WOODBINE COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2007

	Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
<b>Assets</b>				
Cash and pooled investments	\$ 74,626	25,304	16,552	116,482
Receivables:				
Property tax:				
Current year delinquent	740	0	1,624	2,364
Succeeding year	50,000	0	115,713	165,713
Income surtax	0	0	52,355	52,355
<b>Total Assets</b>	<b>\$ 125,366</b>	<b>25,304</b>	<b>186,244</b>	<b>336,914</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$ 50,000	0	115,713	165,713
Income surtax	0	0	52,355	52,355
Total liabilities	50,000	0	168,068	218,068
Unreserved fund balances	75,366	25,304	18,176	118,846
<b>Total Liabilities and Fund Balances</b>	<b>\$ 125,366</b>	<b>25,304</b>	<b>186,244</b>	<b>336,914</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODBINE COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2007

	Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
REVENUES:				
Local sources:				
Local tax	\$ 50,385	0	109,295	159,680
Other	8,706	104,572	3,548	116,826
State sources	31	0	69	100
Federal sources	0	0	45,395	45,395
TOTAL REVENUES	59,122	104,572	158,307	322,001
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	37,470	0	0	37,470
Other instruction	0	109,757	0	109,757
Support services:				
Operation and maintenance of plant services	33,106	0	0	33,106
Student transportation	10,285	0	0	10,285
Other expenditures:				
Facilities acquisitions	0	0	30,476	30,476
TOTAL EXPENDITURES	80,861	109,757	30,476	221,094
Excess (deficiency) of revenues over (under) expenditures	(21,739)	(5,185)	127,831	100,907
Other financing uses:				
Transfer out	0	0	(113,790)	(113,790)
Total other financing uses	0	0	(113,790)	(113,790)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(21,739)	(5,185)	14,041	(12,883)
FUND BALANCES BEGINNING OF YEAR	97,105	30,489	4,135	131,729
FUND BALANCES END OF YEAR	\$ 75,366	25,304	18,176	118,846

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODBINE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Designated Fund	\$ 514	15,242	13,720	2,036
Operetta	3,060	185	16	3,229
Activity	7,947	60,630	65,877	2,700
K-6	4,457	10,314	10,786	3,985
Yearbook	9,554	4,467	6,094	7,927
Class of 2007	2,193	587	1,893	887
Class of 2008	504	12,025	9,938	2,591
Computer Club	1,998	500	1,378	1,120
Interest	262	622	55	829
Total	\$ 30,489	104,572	109,757	25,304

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODBINE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FOUR YEARS

		Modified Accrual Basis			
		Years Ended June 30,			
		2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax		\$ 2,188,125	2,065,249	2,058,290	1,890,392
Tuition		222,668	120,781	163,711	190,571
Other		399,215	406,127	344,900	245,736
Intermediate sources		0	0	0	6,071
State sources		2,308,579	2,222,875	1,961,514	2,024,192
Federal sources		233,768	298,245	647,953	1,083,012
Total		\$ 5,352,355	5,113,277	5,176,368	5,439,974
Expenditures:					
Current:					
Instruction:					
Regular instruction		\$ 2,107,162	2,020,427	2,010,483	1,903,327
Special instruction		561,241	512,589	503,880	506,712
Other instruction		527,568	454,405	357,885	390,626
Support services:					
Student services		80,130	83,373	149,154	149,263
Instructional staff services		14,107	7,404	14,797	8,510
Administration services		548,768	534,350	519,223	539,786
Operation and maintenance of plant services		426,666	420,393	440,454	421,652
Transportation services		166,973	178,444	180,563	225,637
Central support services		0	0	0	49,839
Other expenditures:					
Facilities acquisitions		314,236	1,738,265	3,235,458	1,636,879
Long-term debt:					
Principal		195,000	135,000	125,000	120,000
Interest		197,266	181,314	207,086	175,120
AEA flow-through		155,118	151,527	149,175	153,457
Total		\$ 5,294,235	6,417,491	7,893,158	6,280,808

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3050  
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of the  
Woodbine Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Woodbine Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 5, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Woodbine Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Woodbine Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Woodbine Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Woodbine Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Woodbine Community School District's financial statements that is more than inconsequential will not be prevented or detected by Woodbine Community School District's internal control. We consider the deficiencies in internal control described in Part I of the Findings Related to the General Purpose Financial Statements.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Woodbine Community School District's internal control.

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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

#### Compliance and Other Matters

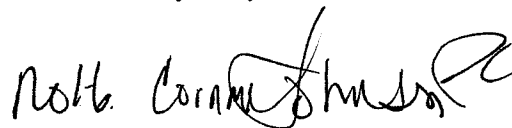
As part of obtaining reasonable assurance about whether Woodbine Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Woodbine Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Woodbine Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Woodbine Community School District and other parties to whom Woodbine Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Woodbine Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

March 5, 2008

WOODBINE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- I-A-07 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

- I-B-07 Grants - We noted during our audit, that when revenues for the safe and drug free grant were posted; it appeared that the revenues were not always properly posted to the proper project number.

Recommendation - The District should review the coding of revenues, to ensure that all revenues for a specific grant are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - We will review project numbers in the Uniform Financial Accounting Manual. Grants will be properly coded in the future.

Conclusion - Response accepted.



WOODBINE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-07 Certified Budget - District disbursements for the year ended June 30, 2007 exceeded the amount budgeted in the non-instructional program area.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - We will amend the budget if necessary in the future.

Conclusion - Response accepted.

- II-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-07 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Connie Waite, Board Secretary Son owns C & H Electric	Electrical Repairs	\$461
Mary Clark, Teacher Spouse owns C&H Hauling	Purchased Services	\$3,654
Mary Eby, Teacher Spouse owns Eby Drug	Supplies	\$52
Joanna Shaw, Board Member Spouse owns Shaw's Screen Printing	Purchased Services	\$1,437
Lynette Lee, Board Member Substitute Nurse for District	Services	\$267

In accordance with the Attorney's General's opinion dated November 9, 1976, the above transactions with the family members of Connie Waite, Mary Clark, Mary Eby and Joanna Shaw do not appear to represent a conflict of interest.

In accordance with the Chapter 279.7A of the code of Iowa, the above transactions with Lynette Lee do not appear to represent a conflict of interest.

- II-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-07 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students which were reported on Line 1 of the certified enrollment was overstated by 9.0 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The Department of Education has been contacted and the situation has been resolved.

Conclusion - Response accepted.

II-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.